

## **INITIAL STATEMENT OF REASONS**

### **Section 1700. Definitions.**

#### **Specific Purpose of the Regulation**

The definition of “Ongoing Expenditures” is amended in order to clarify the use of proceeds by school districts from the sale of surplus school property for a one-time funding of an under-funded health or retirement program, other than pensions, in conformance with Senate Bill (SB) 1415, Chapter 810, Statutes of 2006.

#### **Need for the Regulation**

The proposed amendment is necessary to clarify the regulations implementing SB 1415, and to conform to an opinion from the Attorney General’s Office regarding the purposes for which school districts may apply such site sale proceeds.

The definition of “Ongoing Expenditures” is amended to ensure a fiscally sound procedure for school districts’ use of proceeds from the sale of surplus school sites for a one-time funding of an under-funded health or retirement program other than pensions. The proposed amendment sets forth specific guidelines for such a one-time payment by a district toward reducing its existing unfunded liability for post-employment benefits other than pensions, as determined using actuarial measurement methods defined in the Governmental Accounting Standards Board Statement 45 (GASB 45). GASB 45 guides districts to account and report for the annual cost of post-employment benefits other than pensions, in the same manner as districts currently do for pensions.

#### **Technical Documents Relied Upon**

The State Allocation Board’s Action item, dated May 28, 2008, entitled “Site Sale Proceeds Regulations.”

#### **Alternatives to the Proposed Regulatory Action that would be as Effective and Less Burdensome to Private Persons**

The SAB finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulation or would be as effective and less burdensome to affected private persons than the proposed regulation.

#### **Alternatives to the Proposed Regulatory Action that would Lessen any Adverse Economic Impact on Small Business**

The SAB has determined that the proposed regulation does not affect small businesses.

#### **Finding of Significant Adverse Economic Impact on Businesses**

The SAB has determined that the adoption of the regulation will not affect businesses, including small businesses, because they are not required to comply with or enforce the regulation, nor will they benefit from or be disadvantaged by the regulation.

**Impact on Local Agencies or School Districts**

The SAB has determined that the proposed regulation does not impose a mandate or a mandate requiring reimbursement by the State pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code. It will not require local agencies or school districts to incur additional costs in order to comply with the proposed regulation.